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ABSTRACT

These teacher developed case studies taken from the business world are presented to help secondary students develop an understanding of economics and of the decision-making process. The studies describe real business situations. All historical and current facts are provided, and students must analyze the data and make business decisions. Teacher directions are provided for each of the 11 case studies. Some examples of the studies follow. One case study, entitled "Making It in Ireland," focuses on a computer company's need to decide where to locate a new assembly plant--within the United States of overseas. Students learn the importance of profit in corporate decision making and some of the effects that government and corporations have on each other. Another case study asks students to take into consideration the new 1980 regulations regarding the trucking industry. Students must propose a new marketing strategy to accommodate changing market conditions and plan new routes between terminals. The sociological and economic implications of the Master Charge Program of the New England Merchants National Bank are examined by students in one study. Another case, designed to help students recognize certain aspects of business such as cost, quality, and efficiency, asks students how they would handle the problem of wasted donuts at the Dunkin Donut University in Braintree, Massachusetts. The publication also contains a discussion of how to use the case method in business education. (Author/RM)

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BUSINESS HISTORY AND ECONOMIC LIFE PROGRAM, INC.
DEPARTMENT OF CURRICULUM AND INSTRUCTION
BOSTON-BOUVÉ COLLEGE OF HUMAN DEVELOPMENT PROFESSIONS
NORTHEASTERN UNIVERSITY
BOSTON, MASSACHUSETTS 02115 617-437-3302

EDITED BY Paul H. Tedesco
Northeastern University

WITH THE ASSISTANCE OF

Robert E. Coviello
Walpole (Massachusetts) Public Schools

Cary W. Holmes
Newton (Massachusetts) Public Schools

Eleanor Hollis Tedesco
Northeast Louisiana University

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We wish to thank the members of FEI, not only for their financial support of this important venture in cooperative business and economic education, but for their personal commitment to a more positive relationship between business and the society it serves.

In particular, the members of the 1980 FEI Committee on Government and Business Relations, chaired by Henry Dormitzer, Jr., and the 1981 FEI Committee on Government and Business Relations, chaired by Francis Ryan, arranged for the companies used as case subjects by the teachers. Without this relationship, these materials, which are meant for classroom use by young people, would not have been produced. Thanks also to the individual companies for their openness and concern for the success of this project.

All company names and situations are real. These cases should be regarded as illustrations for classroom discussion rather than as solutions to specific problems. They are positive examples of useful curriculum materials that can be developed by teachers in a limited time period.

The Editors.

INTRODUCTION

Since 1961, the Business History and Economic Life Program has been training teachers and developing case materials to augment and strengthen economic offerings currently available in the schools. BHelp has chosen to use business as the vehicle to do this because business touches all our lives and its history and anecdotes provide a colorful approach to the reasons for learning economics in the first place. BHelp's cases can be adapted to arouse and sustain interest in the many facets of economic and business life, both public and private.

This double casebook has been prepared by the participants of the 1980 and 1981 summer workshops with secondary students in mind. Such a product is a reflection of the talent, experience, and sensitivity that exits among the practioners as well as the tremendous help and support of businesspeople interested in the same problems. As one uses these cases, it should be noted that their intent is to develop economic understanding rather than a detailed perspective of a business decision-maker.

Real economic situations, within the context of a regular secondary social studies curriculum, can lay the groundwork for a realistic understanding of economic problems for the terminal student as well as those who will seek more advanced education at a higher level. What makes these cases even more relevant is that they have resulted from field trips to the particular companies studied.

Business cases are particularly effective for introducing economics into the classroom because they center on real people in real life situations. They provide abundant material for analysing and understanding microeconomic relationships, i.e. business organization, competitive mechanisms, economic motivation, and the like.

In addition, the information in a case extends beyond the single firm, enabling the teacher of various disciplines to function effectively in a variety of areas. Furthermore, by providing concrete examples of business reacting to change in the economy, the cases are able to give far more meaning to the student than abstract entities.

The cases in this double casebook are not meant to stand as polished examples of the craft. They were produced under great pressure and are meant to be used to provoke discussion amongst young people in order that they may begin to investigate what does go into the decision-making process.

For more detailed information on how to utilize cases, case method, and the making of one's own cases, please consult Paul H. Tedesco, Teaching With Case Studies (Boston: Federal Reserve Bank, 1974, 1978) and James A. Erskine, et.al., Teaching With Cases (London, Canada: The University of Western Ontario, 1981). The Editors have also included a reprint, "Using the Case Method in Business Education," to assist you in understanding this pedagogical approach.

Using the Case Method in Business Education

by Eleanor Hollis Tedesco and Paul H. Tedesco

The importance of having a citizenry well versed in economic understanding is now widely recognized. The means to that end, however, is an issue under much discussion. Business cases are particularly effective for introducing economics in the classroom because they center on real people in specific situations. A case represents one small segment of historical experience. Unlike an article or a book, it is designed to raise as many, or more, questions than it answers.

For teaching purposes, a case is useful not for what the author thinks of the material but for what the student sees in it. Thus, stimulation of discussion, an exchange of views, an incentive to acquire additional information, and a willingness to examine one's own assumptions and the logic of one's own arguments are both goals and means in case discussion.

Most cases were developed as "interested spectator types," where the student is invited to interpret a case. ("What decision would you make if the decision were yours?") This technique has been effective because it encourages the reluctant student to articulate his or her ideas. Even the aggressive student, normally on the attack and easily involved, may better appreciate different ways of interpreting what appears to be a simple story.

Eleanor Tedesco is associate professor of business, Plymouth State College of the University of New Hampshire System, Plymouth, New Hampshire.

Paul Tedesco is a professor at Northeastern University, Boston, Massachusetts.

Write Your Own Case

One of the special advantages of writing your own case is that each case can be directed at a specific class. Length and style can be adjusted to the interests of your students. Your case can be short or long, drawn from observation or research, or developed from "found" materials—newspapers, magazines, and so on. It is a good practice, especially in simple narrative decision cases, to state the problem in the opening sentence—for example, "Mr. Weaver Owen, sole proprietor of a local grocery store in Canton, Iowa, was considering whether to borrow from a bank in Des Moines." Then explain the problem to the class, providing additional information.

Here are some "don'ts" to be avoided when writing cases:

☐ Don't use many unfamiliar or technical words.

☐ Don't reveal confidential or embarrassing materials. Use disguises and subtleties, unless you clear materials.

☐ Don't make an issue out of an easy and obvious decision.

☐ Don't use well-known local material of a highly controversial nature.

☐ Don't try for excitement that might interfere with working realistically on the factual material given.

☐ Don't drag in economic concepts; let them be used because they are useful. Sharpen definitions as the terms and concepts are used.

☐ Don't be concerned if the discussion leads to a decision not to decide at once but to investigate further.

☐ Don't let the student avoid the necessity of making up his or her mind—the necessity of decisiveness.

☐ Don't use material and generalizations which you have not checked. These assumptions may be wrong.

The use of cases assigns a larger role in the discussion to the student than to the teacher and thus to some extent reverses the traditional classroom roles. The teacher's role is more that of an unobtrusive discussion leader and less that of an authority on the subject matter.

Suggestions for Using the Case Method

The following suggestions may be helpful to the teacher using the case method:

☐ Use cases in situations which are appropriate. A case is not necessarily designed to convey a large amount of information and should not be used as a substitute for materials which have this purpose.

☐ Be flexible in using case materials in the classroom. The quickest way to kill a discussion is to insist that "this is the way it was and this is the way it had to be." As a discussion leader, your job is not to defend your own interpretation but to encourage the students to defend their individual positions.

☐ Ask as few questions as possible. The questions you do ask should be designed to involve the class in a discussion among themselves. Your role is to keep this kind of discussion moving towards meaningful goals with a minimum of intervention.

☐ Know more about the background of the situation than is contained in the case. Much discussion time can be wasted on basically factual points. If you are in a position to intercede and provide the needed factual information, more time will be available for class discussion.

☐ Remember that the case method is not a wide-open bull session but is, rather, a controlled discussion with goals and objectives. Probably the most important and valuable classroom tool for effective case discussion is the chalkboard. It provides a means for keeping the key elements of the discussion before the class. Also, as you record these elements, you have a check on the direction of the discussion.

Conclusion

Case teaching is not new, but it does require a different perspective on the part of both the teacher and the student: it is active, not passive, learning. The value of this approach in encouraging student interest and participation in the educational process has been demonstrated many times over. As a result, the case method has gained steady acceptance by more and more teachers.

We need more teacher-written cases, which can allow teachers more and more options in the use of materials in the classroom. Such an effort will strengthen the teaching of business and economic understanding, which is so important in today's world. ■

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NEW DIRECTIONS

Hemingway Transport Inc. is a major trucking company headquartered in New Bedford, Massachusetts. The company was founded by Philip Hemingway and incorporated on January 2, 1923, continuing as a family-owned and managed firm. Hemingway expanded, acquiring new territories and routes, and building a loyal clientele, until the mid-1970s when the company suffered from declining revenues and a steady loss of customers, primarily due to a failure to give consistent service.

A new management team, recognizing that the trucking industry was highly regulated with uniform rates, concentrated on improving service and the company's "Less Than Truckload" (LTL) business. Within two years, unprofitable territories had been sold off, revenues improved significantly, and the new company officers purchased the firm from the Hemingway family.

At present, Hemingway operates over 14,000 miles of regular and irregular routes, serving approximately 30,000 customers from Quebec to Virginia. The company has established a 90% on-time delivery service standard within its territory. Operating under Interstate Commerce Commission (ICC) rules, Hemingway, the Hemingway whale logo and motto ("A Whale of a Truckline"), is seen serving every major city and seaport in the northeast and middle-Atlantic states region.

Under pre-1980 ICC regulations, companies operated along specific highways between specified cities within established territories. Other regulations included:

1. limited competition
2. prohibition of additional pick-ups and deliveries along established routes
3. confinement to authorized routes, although they may not represent the most-direct routes between points-of-origin and destination
4. established rates based on weight, commodity, and distance
5. "gateways" through which trucks must enter or leave a territory.

This case was prepared by Robert Avakian (Westwood, Massachusetts, High School), under the supervision of the 1980 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

The new Hemingway management has been successful in servicing highly profitable LTL business and has set a goal of 15% market penetration over the next ten years. Present estimates indicate that Hemingway carries about 5% of the general commodity freight within its territory.

In 1980, Congress passed and the President signed a trucking deregulation law which removed many of the existing restrictions on the trucking industry. Some of the provisions of the new Federal law are:

1. easier entry into the marketplace by other truckers
2. more competitive pricing by truckers who will be allowed to raise or lower prices by as much as 10% without ICC review
3. trucks will no longer be compelled to return empty nor to travel indirect routes
4. truckers will no longer be prohibited from stopping for additional pick-ups or deliveries along their routes
5. elimination of "gateways."

Hemingway's management is wondering how best to adjust its operations under these changing conditions.

TEACHER'S NOTE

TITLE: NEW DIRECTIONS

GRADE LEVELS: 11-12 READING LEVEL: Undetermined

I. OVERVIEW

In 1935, in order to bring order and stability to a "cut-throat" and chaotic trucking industry, the Congress authorized the ICC to establish regulations governing truckers. Consequently, over the years the trucking industry became one of the more tightly regulated industrise in the country. The Motor Carrier Act of 1980 is the first substantial change in the law governing the industry since 1935. The 1980 legislation to degregulate the industry has created much anxiety and doubt about the future growth amongst the present leaders of the industry. Some major changes in the law include:

A. Easier entry into the marketplace. Previously truckers who wished to expand their territories had to prove the necessity and desirability of their service being added to the territory if an existing trucker objected. Henceforth, companies already operating within the territory will have to prove that a new trucker in the territory will be disruptive and unnecessary. Thus the burden of proof is shifted from the new trucker to the existing and objecting trucker.

B. Allow a variety of price and service options. Truckers will be free to raise and lower their charges by as much as 10% without ICC prior approval.

C. Allow the most productive use of equipment and energy resources. This provision will eliminate the present regulations which require trucks to return empty to their terminals and prohibit additional pick-ups and deliveries along the route. Gateways and circuitous routes will also be eliminated.

II. GENERAL OBJECTIVES

III. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Student will be able to propose new marketing strategy to accomodate changing market conditions.

2. Student will be able to plan new routes between terminals.

3. Student will be able to propose routes for upstate New York.

B. VALUE JUDGMENTS

1. Student will appreciate manager's decision-making

difficulties under changing market conditions.

2. Students will appreciate extent of government regulatory powers.

IV. PREPARATION PRIOR TO DISTRIBUTION OF THE CASE TO STUDENTS

A. TEACHER PREPARATION

1. Review current media coverage.

2. Review geography of northeast and mid-Atlantic states.

B. STUDENT PREPARATION

1. Conduct class discussion on government regulation; student should be told that one motive for the 1935 regulations preserved in the 1980 act is the rqeuirement that small communities and shippers have ready access to trucking services.

2. Make certain students understand changes in law.

3. Ask students to investigate other regulated industries.

V. CASE IMPLEMENTATION QUESTIONS

A. What business decisions made the difference between success and failure for Hemingway Transport? Why?

B. Why are these decisions in themselves no longer sufficient to guarantee future growth of the company?

C. How will the elimination of "gateways" help or hurt Hemingway operations?

D. How shall Hemingway achieve its goal of 15% market penetration within the next 10 years under the new regulations?

VI. STUDENT ACTIVITIES

A. Have students work with road maps and atlases to develop new routes.

B. Ask students to develop a rationale for the change from 1935 to 1980 in the regulations.

C. Understand the following terms:

1.	ICC	Interstate Commerce Commission
2.	on-time	delivery on same day as promised
3.	gateway	a restricted entryway into a territory, i.e. as to having to enter the upstate New York territory only through New York City
4.	LTL	"less than truckloads" - higher rate charge
5.	TL	"truckload," i.e. full truck

MAKING IT IN IRELAND

Prime Computer, a large corporation headquartered in Natick, Massachusetts, produces very sophisticated computers. These computers can use almost all computer languages and can be taught new languages. Many different people can use one of these computers, at the same time, by working at different terminals. A company can use one of Prime's computers to do payrolls, keep worker records, inventory all the supplies that a company buys and uses, and all sales. The same computer can also keep records of all monies, process bills, and predict how much money a company will make in the future. Computers are used to design automobile parts and ships, keep scientific research records, and help Coca Cola distribute Coke and Tab in Los Angeles. Some large corporations that use Prime computers are Boeing, Western Union, Ford, Polaroid, and Time Magazine. Prime's computers range in price from $30,000 to $500,000.

Prime factories have two major jobs. The first is to put the different transitor chips on circuit boards, of which Prime makes about 70 different types. The second is to assemble these circuit boards into computer terminals and cabinets. Prime has assembly plants in Framingham, Massachusetts. In 1978, they built an additional plant in Puerto Rico.

Prime was organized in 1972. By 1980, they had sold $268 million worth of computers per annum and their stock on the New York Stock Exchange had the highest rise in price of any stock. The company employs 4,500 people--managers, computer designers, engineers, sales people, test technicians, and computer assemblers. Prime sells its products world-wide, with one-third of all its sales coming from European countries.

Prime has been a very successful company and expects to continue so. They now need another plant to assemble the computer boards into cabinets and terminals. The president is considering whether the

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This case was prepared by Judith Boroschek (Acton-Boxborough, Massachusetts, Regional Junior High School), under the supervision of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

company should expand its Framingham plant or build a new one abroad. The new plant could employ as many as 200 workers and produce $200 to $400 million worth of computers per year. About 80 percent of the workers need a high school education while the rest would need college degrees. Prime would teach the workers the special skills needed for assemblying and testing the computers.

Recently, the president received the following letter from the Republic of Ireland:

Dear Sir:

The Irish government has been working very aggressively to encourage advanced American companies to locate and expand in our country. We have a large number of educated, willing people looking for work. We are most anxious for our country to become modern and prosperous like France and Germany. It is understood that your company is looking for a location for another production plant. We have a number of locations, ideal for your needs, near Dublin International Airport which we feel would meet your needs.

There are several reasons why Dublin might be even more attractive than other sites you might be considering. First, the Irish government would pay Prime $20,000 for each job created in Ireland. The company would not have to pay any taxes to the Irish national government. As we understand it, for every $1 profit made in your Massachusetts plants, 50 cents goes to pay taxes to the Federal and state governments. For every $1 profit made from sales from the Irish plant, no taxes would be levied. Finally, since Ireland is a member of the European Common Market, your computers will cost your European customers 7% less because they will not have to pay any custom taxes, whereas computers produced in the United States and shipped to European customers have to pay customs taxes.

We think you would make prime profits when you make your products in Ireland.

Sincerely,

Patrick O'Neil
Secretary of Commerce

P.S. We will also split, 50/50, the cost of building a new facility to meet your needs.

As president of Prime, what recommendation would you make to to the board of directors concerning the new plant location?

TEACHER'S NOTE

TITLE: MAKING IT IN IRELAND

GRADE LEVEL: 9 READING LEVEL: 9

I. OVERVIEW

The case focuses on Prime Computer's need to decide where to locate a new assembly plant--within the United States or overseas. The purpose of the case is to show the importance of profit in corporate decision making and some of the effects that government and corporations have on each other.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL GOALS

1. Be able to identify examples of economics vocabulary.
2. Be able to recognize the relationship of a president to his company and the board of directors.
3. Be able to recognize that the purpose of a corporation is to provide goods and services at a profit to the stockholders.
4. Be able to recognize that the powers of corporations involve control over money, goods and services, jobs, and people's savings.
5. Be able to identify the effects of corporations and governments on each other and on society in general.
6. Be able to draw generalizations,i.e. that the actions of one major social institution have serious effects on the other social institutions.

B. VALUE JUDGMENTS

To conclude whether the only major role of a corporation is to make a profit for the stockholders or whether it also has a responsibility to provide jobs and taxes for the well-being of society.

III. PREPARATION PRIOR TO DISTRIBUTION OF CASE

A. TEACHER PREPARATION

1. Read Prime's annual report.
2. Visuals: European maps
   Slides showing Prime computers in action, and elements of computer

B. STUDENT PREPARATION

1. Before reading the case:

   a. Vocabulary study
   b. Discuss parts of computers
   c. Assign students roles, president, stockholders, directors, workers
   d. Explain tariffs

2. After reading the case:

   a. Ask students if company is successful?
   b. Ask where its customers are located?
   c. What percentage of sales are in Europe?
   d. Can you define the problem?
   e. Compute the total projected profit gain, and taxes lost, if the move to Ireland is made and sales reach $200 million
   f. Discuss who/what helped/hurt by a move to Ireland.
   g. Who is Prime responsible to?
   h. What are the major points against the Irish move?
   i. How should the board vote? Why?

MAKING A PROFIT FROM THE RAT RACE

Charles River Breeding Laboratories, Inc. (CRBL) is the world's largest commercial producer of laboratory animals. CRBL breeds rats and mice for use in medical and scientific research. Customers include pharmaceutical and chemical companies, government agencies, universities, and commercial testing laboratories. Charles River Breeding Laboratories operates breeding facilities in Massachusetts, New York, New Jersey, Florida, and Michigan as well as in Canada, England, France, Italy, Germany, and Japan.

One of the most frequent questions asked of Charles River's California sales representative is: "when will Charles River Breeding Laboratories open a facility here?"

CRBL has recently instituted a policy of having a local telephone number for each of its major California cities (San Francisco, San Diego, and Los Angeles). This allows a California customer to dial a local number and be connected with the customer service center for CRBL in Wilmington, Massachusetts. CBRL also carefully monitors the transport of its animals by air to California. The animals are shipped in specially designed containers that are equipped with air filters and food supplies. Once in California, an independent trucking firm, with temperature controlled vehicles, meets the scheduled flights and transports the animals to the customer's door.

CRBL is also considering warehousing animals in an attempt to improve its service in California. The animals would be raised in one of CRBL's existing facilities and then transported to a California warehouse. While this would provide an inventory available for immediate use to customers, other factors would have to be considered. CRBL goes to great lengths and expense to insure that the product they turn out is essentially disease-free. This requires that the animals be raised in a disease-free (barrier) environment. In an ordinary warehouse facility, this would be difficult at best.

This case was prepared by William B. Chiasson (Athol, Massachusetts, Public Schools), under the supervision of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

Another possibility is that of constructing a new facility in California. The size of the plant would have to be a minimum of 20,000 square feet to accomodate the necessary breeding facilities and barrier rooms. Such a facility would cost $3.5 million and CRBL estimates that it would need a dollar in sales for every dollar invested to make this an economically feasible operation. At this point, CRBL has an estimated 24 percent of the $4 million California market, while its largest competitors, Simonson and Hilltop, have 57 percent and 6 percent of that market respectively. The other 13 percent of the market is filled by many "backyard breeders." A third possibility for Charles River is to buy an existing breeding laboratory. However, unlike most breeding labs, CRBL uses barrier rooms to raise animals which would mean extensive renovation work.

Charles River's management has yet to answer the questions: "Should we continue our present method of servicing the California market or should we open a new facility? If we do open a facility in California, which of our options would be best suited to our needs?"

TEACHER'S NOTE

TITLE: MAKING A PROFIT FROM THE RAT RACE

GRADE LEVEL: 9-12 READING LEVEL: 10

I. OVERVIEW

This case was prepared to help the student see that not all decisions made in business are cut and dried. After extensive investigation into all possibilities, there is still a degree of risk involved in any plan of action. One of the most important ingredients in success is Luck.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. The student will correctly solve any mathematical problems presented.

2. The student will identify the options that are available to CRBL.

B. VALUE JUDGMENTS

III. PREPARATION PRIOR TO DISTRIBUTION OF CASE TO STUDENTS

A. TEACHER PREPARATION

1. Obtain copies of photographic materials from CRBL.

B. STUDENT PREPARATION

1. Read CRBL Annual Report obtained by teacher.

2. After discussing case in class, write an essay on how CRBL's management should answer its problem.

IV. CASE IMPLEMENTATION QUESTIONS

A. QUESTIONS FOR DISCUSSION

1. If Charles River has an excellent system now, why make the move in California?

2. What effect will the increase in genetics research in California have upon CRBL's business?

BREAKING THE FIFTY-CENT BARRIER

TO: All Franchise Owners and Company-owned Store Managers

FROM: Marketing Department

DATE: July 26

SUBJECT: Retail Price Increases

As you are aware, there have been a series of cost increases on certain products--in particular, coffee. Moreover, in the not-to-distant future, we can probably look for additional food cost increases as well as the 25-cent hourly increase in the minimum wage on January 1.

Based on what has already happened to costs as well as what we anticipate will take place in the coming months, we are working on retail price recommendations. Such recommendations will be based on two sets of data. First, we will use information from the Company-owned Stores' Electronic Cash Registers which will enable us to determine what happened to the sale of various items the last time we raised prices. Second, we will use data from the third quarter Retail Price Survey which gives us retail pricing in our own shops by district, zone, and nationally as well as that of our competition.

We plan to have our recommendations ready the first week in September. We strongly urge you not to raise any of your retail prices until you have had an opportunity to review our recommendations.

* * *

TO: All Franchise Owners

FROM: Marketing Department

Date: September 13

SUBJECT: Fiscal Year Pricing Recommendations

The Company-owned Store Division has conducted a study of
(a) the effect of its January price increase on total shop sales and profit margins on unit sales of each menu item as well, and
(b) what the increased costs of doing business are likely to be in the next fiscal year.

The following price changes will be made effective in Company-owned Stores on October 1.

This case was prepared by Stephen Corcoran (Wellesley, Massachusetts, Public Schools), under the supervision of the 1980 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

Item	Approximate Increase	Maximum Price Point
Coffee, counter	.05	.35
6 oz. to go	.05	.40
10 oz. to go	.10	.55
Donuts, dozens	.20	2.19
Fancies	.04	.40
20-count Donut Holes	.13	1.09
45-count Donut Holes	.14	2.09
60-count Donut Holes	.11	2.49
Individual Donuts	.06	
Sodas/Drinks	.04 to .13 (by size)	
Soup/cup	.07	.59
Soup/bowl	.09	.99
Soup/special	.11	1.29

Timing: Price increases should be made prior to the next National Network Television Campaign, scheduled to begin October 22. This would maximize store traffic and minimize negative reaction amongst customers to higher prices.

In making your retail pricing decisions, we advise you to consider the following:

Further Considerations:

1. current pricing, projected costs, and shop profits
2. competitive environment
3. general economic climate of the market
4. psychological price points
5. most recent price increases and their effect on sales, profits, and customer counts
6. raise all prices on same date, if decision to raise is made
7. specific market situations

Implementation: If you decide to change prices in your shop, please observe the following two rules of merchandising..

1. price increases should be professionally posted on your menus and signs
2. conduct a meeting of all shop employees in advance of the price change.

The pricing decision for your shop is yours alone to make. We hope that this information is of assistance to you.

* * *

TO: All Franchise Owners

FROM: Marketing Department

DATE: September 27

SUBJECT: Fiscal Year Pricing Recommendations

By now, each of you have received our Fiscal Year Pricing Recommendations. Initial feedback from both Franchise Owners and Company-owned Store Managers indicated concern that a 10-cent price increase and a maximum 55-cent retail price for 10 oz. coffee was excessive and could jeopardize a portion of our coffee business. Consequently, we are now suggesting not more than a 5-cent price increase and a maximum retail price of 50 cents for 10 oz. coffee to go.

If you share the concern outlined above, you might consider making this change to our original pricing recommendation and hold off any further price increase for 10 oz. coffee until we have had the opportunity to evaluate customer reaction to the price changes and their effect on shop profit margins.

The Company-owned Stores will follow this change to the original pricing recommendation on or about October 7. Naturally, any pricing decision is your to make.

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TEACHER'S NOTE

TITLE: BREAKING THE FIFTY-CENT BARRIER

GRADE LEVEL(S): 9 READING LEVEL: 10.5

I. OVERVIEW

The case is designed to help students understand strategies employed in raising product prices in a period of inflation.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Student will define a series of pertinent terms.
2. Student will identify elements used by a concern in arriving at appropriate pricing strategies.
3. Student will analyze a set of pricing data.
4. Student will deduce relationships between the pricing of single items as they effect the whole.
5. Student will decide on an appropriate pricing strategy to maintain profits and minimize adverse public reaction.

B. VALUE JUDGMENTS

1. Student will discuss problems involved in making a pricing decision in a period of inflation.
2. Student will discuss if the parent firm has a responsibility in these inflationary times to hold the price line.
3. Student will develop an hypothetical decision based on the evidence presented.
4. Student will be able to take a position in the decision made.

III. PREPARATION PRIOR TO DISTRIBUTION OF CASE TO STUDENTS

A. TEACHER PREPARATION

1. READINGS: various donut company annual reports.
2. VISUALS: series of product pictures might help in orientation.

B. STUDENT PREPARATION

1. BEFORE READING THE CASE: Discuss, through ads, what might cause the price of goods to rise.
2. BEFORE DISCUSSING CASE IN CLASS: Remind students that 4 percent of sales goes to advertising.
3. AFTER THE DAY OF DISCUSSION: none.

IV. CASE IMPLEMENTATION SUGGESTIONS

A. QUESTIONS FOR DISCUSSION

1. Why did the company think 55 cents was too high for coffee? Do you agree with the company? Why?
2. Of the seven points in the September 13 Memo, which ones do you feel are the most important? Why?
3. Are other products as price sensitive as the cup of coffee?
4. Describe the psychology behind the number "9"...the number "5".

B. ACTIVITIES FOR STUDENTS

1. Field trips to different donut shop sites.
2. Field trip to Dunkin' Donut University.
3. Company officers visit classroom.
4. Make comparative price study, major donut shop to competitors.
5. Develop an advertising campaign to offset the price increase.

V. RESOURCES

A. REFERENCES

B. VISUAL AIDS

Local newspaper ads

TO CHARGE OR NOT TO CHARGE?

The New England Merchants National Bank is one of the oldest financial institutions in Boston, established in 1865 to meet the needs of a flourishing business and industrial community. Since 1951, when the bank offered its first personal loan, the bank has offered a wide range of banking services including checking and savings accounts, automobile loans, trust accounts, and mortgages.

In the late 1950's a new concept in consumer services was introduced--the bank charge/credit card. The idea was that the consumer no longer needed an individual charge account with individual stores--one card would serve all. Such a credit card also meant that travelers no longer needed to worry about carrying large amounts of cash. As a result, the bank charge/credit card idea caught on.

New England Merchants began issuing Master Charge cards to its own "good" checking account customers in 1968. These cardholders could charge goods and services and the bank would pay the providers of such credit. The card user would then "reimburse" the bank at the end of the month. If customers did not wish to pay their full balance at the end of the month, they were allowed to pay only a portion along with the interest on the remainder of the balance. At that time (1968), the Prime Rate was 6.25 percent, and interest rates on Master Charge accounts were 18 percent up to a balance of $1600.

But, in 1980, times had changed dramatically in the banking world. New England Merchants was servicing 54,000 Master Charge customers at a yearly cost of over $500,000. It was also costing some $350,000 to review the approximately 10,000 new card applications being received annually. The average balance in each charge account subject to interest is under $500. But the most significant factor is that while the Prime Rate in 1979-1980 had fluctuated between 15 and 20 percent, New England Merchants was limited by law to charging 18 per-

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This case was prepared by Marcia Goldsmith (Weston, Massachusetts, High School), under the supervision of the 1980 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

cent interest on the first $500 of an account's balance and 12 percent on the remainder.

Delinquent accounts are another cost to New England Merchants. During the current economic crisis, the bank carries approximately 3,000 overdue accounts each month. These accounts cost over $300,000 in collections yearly, not including lost revenues.

New England Merchants is now reviewing its Master Charge program. At a recent board of director's meeting, no decision could be reached. It was clear, however, that there were at least three avenues of thought present amongst the directors:

1. "bite the bullet" -- continue to offer Master Charge as usual and recognize it as a loss to the bank but a convienence to the customer.

2. charge Master Charge cardholders a monthly/yearly fee to partially offset operating costs -- the fee would increase as bank costs rise.

3. discontinue Master Charge entirely or restrict it only to a select group of customers -- this approach would reduce potential losses to the bank.

LES MULTINATIONALES: LE RETOUR DU JOUEUR DE FLUTE

Le laboratoire Charles River, établi en 1947 produit une animalerie protégée, destinée à la recherche médicale dans les hôpitaux, les cliniques, les laboratoires de chimie et les universités. Les clients désirent les animaux de normes de qualités biologiques et génétiques optimales pour assurer la validité de l"experimentation. Comme ils veulent mesurer l'effet d'une drogue nouvelle ils ne peuvent pas accepter l'intervention d'une maladie ou d'un problème génétique dans l'organisme.

Grâce à une méthode de control de qualité complet Charles River est devenu le pionnier de l'animal de laboratoire dans le monde. Bref, cette méthode comprend l'ensemble de stérilisation, le souci constant des animaliers et les camions de livraison à air conditionné.

Dès leur naissance par l'opération césarienne les animaux vivent dans les conditions complètement sanitaires. Avant d'entrer dans le laboratoire l'animalier doit se doucher et se faire un shampooing pendant cinq minutes.[1] Ensuite il s'habille de vetements stérilisés, une calotte et une masque de chirurgien. Dans le laboratoire l'animalier passe huit heures journalières á surveiller les animaux et a donner de la nourriture et de l'eau. Tout ce qui entre dans le laboratoire doit etre stérilisé par l'autoclave et ensuite traité avec de l'acide perecide. D'autant plus c'est complètement defendu d'avoir aucun contact avec les animaliers d'autre laboratoires.

Le personnel spécialisé de haute qualité travaille dans le domaine de la génétique, de la chimie et de la biologie pour développer les services reliés a l'experimentation animale.

Pour la livraison la compagnie utilise les camions de livraison à air conditionné.[2]

La compagnie Charles River a, à présent, des laboratoires en Angleterre, en France, en Italie, et en Allemagne. Les directeurs

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This case was prepared by Hilde Heaton (Needham, Massachusetts, Public Schools), under the supervision of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

envisogene la capacite d'une expansion importante en Europe. Ils sont en train d'examiner les alternatives telles que l'expansion de leur laboratoire francais a cause de la proximité centrale a tous les endroits européens.

À part de la location da laboratoire francais il y a des considerations sociales aussi bien qu'economiques qui vont entrer dans cette deciseon.

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[1]Les portes se ferment automatiquement et ne s'ouvrent pas avant cinq minutes.

[2]L'usage de l'avion pour la transportation a causé de grands ennuis. Les extrêmes de climat, même pour une durée courte, résultant souvent dans la mort de l'animal.

TEACHER'S NOTE

TITLE: LES MULTINATIONALES: LE RETOUR DU JOUEUR DE FLUTE

GRADE LEVEL: 12 READING LEVEL: 11-12

I. OVERVIEW

This is a presentation of a company with a highly specialized nature and its viability in another country. Students should discuss the major sociological and economic implications of this venture.

II. CASE GOALS

A. Students will conclude that unity in language, culture, currency, law, and character is necessary to maintain the viability of a very specialized plant.

B. Students will read background information in the target language.

III. PREPARATION PRIOR TO CASE DISTRIBUTION

A. If possible, obtain copy from CRBL.

B. French description of Charles River Europe.

C. Read something of teacher's choice concerning sociological nature of the French personality.

D. After reading case have students write essay in French, an editorial, from viewpoint of local paper regarding establishment of this plant.

IV. CASE IMPLEMENTATION QUESTIONS

A. What techniques and skills are essential for the survival of the company?

B. Can the French, with regard to their view of life, culture. economic systems, and language, best serve the market in Europe?

V. ACTIVITIES

A. Interview a French businessperson in French with regard to solving problems in communications, law, and currency in an international market.

B. Research the history of Anglo-French cooperation in the development of the Concordé.

C. Research the French attitude towards including England in the European Common Market.

D. Research the present French economic climate.

VI. RESOURCES

French consul
French Library, Boston
Fletcher School of Law and Diplomacy, Tufts University, Medford, MA
French faculty, various local universities

VII. VISUAL AIDS

CRBL presentation film

WASTE EQUALS MONEY DUNKIN' DONUTS

Dunkin' Donuts is the largest coffee and donut franchise in the world. The first donut shop was opened in Quincy, Massachusetts, in 1950 by William Rosenberg. Mr. Roesnberg's success was based on his ability to serve the freshest coffee and donuts quickly and courteously. Presently there are over 1,100 Dunkin' Donut shops throughout the world.

To keep ahead of the competition, Dunkin' Donuts uses consumer studies and market research to determine what the customer wants. Producing a superior product at an affordable price with quick courteous service in clean convenient shops are the company's priorities. Only the freshest products are made available for sale. The success of Dunkin' Donuts has led many people to inquire about obtaining a franchise.

In order to obtain a Dunkin' Donuts franchise, the applicant must graduate from Dunkin' Donut University, in Braintree, Massachusetts. The university's program consists of a five-week training course where the student trainees are taught how to recruit and train employees, how to use the equipment, how to manage inventory, how to put merchandising techniques to work, and how to use production methods to guarantee quality and freshness.

The donuts, muffins, and pastries that are baked at the university are thrown away each day, representing a daily loss of 200 dollars. Dunkin' Donuts hires a rubbish disposal company to haul the waste away each day.

At a recent Dunkin' Donuts University management meeting, a proposal to establish a "seconds shop" at the university was brought up for discussion. This way the wasted materials could be sold to the public. Another suggestion was advanced to donate the waste to social and charitable community organizations.

If you were an executive of Dunkin' Donuts, how would you handle the problem of waste at the university?

This case was prepared by Richard Mason (Milton, Massachusetts, Public Schools), under the supervision of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

TEACHER'S NOTE

TITLE: WASTE EQUALS MONEY

GRADE LEVEL: 7-8 READING LEVEL: 8

I. OVERVIEW

To help students recognize certain aspects of business such as cost, quality, and efficiency. To show the relationship in decision-making affecting economic and social considerations.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Students will be able to define certain vocabulary words.

2. Students will identify the various facts in the case.

3. Using extrapolation, students will be able to draw their own conclusions about the ramifications of the waste products situation.

B. VALUE JUDGEMENTS

1. To examine the question of wasting food for the sake of economic and quality considerations.

III. PREPARATION PRIOR TO DISTRIBUTION OF CASE

A. TEACHER PREPARATION

1. Dunkin' Donut informational materials

2. Materials on franchise operations

3. Visual materials from Dunkin' Donuts

B. STUDENT PREPARATION

1. Learn vocabulary list:

affordable	retail
competitor	technique
franchise	unsanitary
motivate	veto
priority	quality

2. Check definition changes after case discussion

IV. CASE IMPLEMENTATION QUESTIONS

A. QUESTIONS FOR DISCUSSION

1. Is waste a necessary part of Dunkin' Donut University's operation?

2. What are some alternatives to the waste problem?

B. ACTIVITIES FOR STUDENTS

1. *Role play board of directors meeting.*

2. *As a charitable organization head, write a letter to the president of Dunkin' Donuts requesting that the waste products be given to your group for social use.*

3. *Develop a waste study on the school cafeteria.*

SEILER'S QUALITY AND SERVICE....AND INFLATION

The Seiler Corporation, with headquarters in Waltham, Massachusetts, is one of the largest food service companies in the northeast. Since the founding of the H.J.Seiler Company, a Boston catering and restaurant business, in 1873, the company has grown and diversified. Today, it has four divisions providing food service to businesses, industrial plants, hospitals, and schools. In addition, Seiler's manufactures a wide variety of food products for institutions and the retail trade.

The corporation has grown successfully by following the philosophy that "quality products and top notch service" will result in satisfied customers. High quality food is prepared under strict company supervision. Prompt, efficient service is possible because Seiler's has chosen to grow within the New England region.

The Seiler Food Service Division supplies and maintains vending machines for business and industry. This division also provides "manual" or cafeteria service. Seiler's will set up and manage a cafeteria, and provide the necessary food and equipment.

Profits in the vending and manual service areas tend to be low. But, as a high volume unit, the company has invested a great deal in machines and equipment to insure profitability. Most of the equity of the corporation is in the vending and manual division.

In the present state of the national economy, inflation has seriously affected the food industry. Food prices are rising at the rate of 1.25% per month. In one recent year, sugar costs rose from $17.10 to $41.10 per 100 pounds. In addition, energy costs have increased dramatically. Profits in the Food Service Division have been completely eroded by inflation. The company has set a high priority on stopping the decline of this division. Management is faced with the problem of finding ways to ensure growth in a lagging section .

This case was prepared by Dorothy Powdermaker (Warren Junior High School, West Newton, Massachusetts), under the supervision of the 1980 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

Seiler's has two customers to satisfy--the company in whose building it provides the vending or manual service, and the final consumer, the employees of the buying company. When Seiler's needs price relief because of rising costs, it has to negotiate with the company. The company tries to get the best possible bargain for its employees, while Seiler's must meet costs and realize a profit. Seiler's tries to get price relief either by increasing food prices or by lowering the commission it pays the company. It may also ask the company to subsidize food prices in the manual operation.

There are a number of problems which make price negotiations difficult:

1. Price negotiations take time. Over a 60-day interval, Seiler's will continue to lose money until the new rate is in place, only to find that there is another price increase needed. Good will is often lost as the company is constantly negotiating price relief.

2. Seiler's does not have a long-term price contract policy with its customers.

3. If Seiler's raises prices too high, people might just stop buying. This would, in turn, cause prices to go higher and lower volume.

4. The company negotiator is not allowed to make final decisions.

5. Employees are not aware of food subsidies, taking price for granted.

6. Unions are able to negotiate food service benefits for their members, so that management must hold prices within a certain range by union contract.

7. Many employees are becoming more nutrition conscious and are turning away from "junk" foods.

8. As in most businesses, Seiler's must take into account the factor of competition from others in the food industry.

TEACHER'S NOTE

TITLE: SEILER'S QUALITY AND SERVICE...AND INFLATION

GRADE LEVEL: 10-11 READING LEVEL: 10-11

I. OVERVIEW

The student will analyze the problems and present solutions related to price negotiations in an inflation economy.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Students will be able to identify the following terms:

corporation	price relief
profit	negotiations
invest	commission
asset	subsidy
equity	contract
inflation	benefits
competition	

2. Students will gain an understanding of inflation and explain its consequences for businesses and consumers.

3. Students will describe the importance of negotiating.

4. Students will suggests ways in which the problems of price negotiations can be solved.

B. VALUE JUDGMENTS

1. To understand and appreciate the multi-faceted nature of negotiations in business.

2. To evaluate ways in which negotiations can be concluded successfully (a "win/win" situation).

III. PREPARATION PRIOR TO DISTRIBUTION OF CASE

A. Teacher - read appropriate sections, Teaching With Case Studies by Paul H. Tedesco (Boston: Federal Reserve Bank, revised edition 1978).

B. Student

1. Discuss with students the terms in II.A.1.

2. Have students list areas of negotiations in their own lives, with peers, parents, teachers.

IV. CASE IMPLEMENTATION SUGGESTIONS

A. QUESTIONS FOR DISCUSSION

1. What are the differences in providing a product and providing a service?
2. What is so important about having "good will" in business?
3. What are the advantages and disadvantages of remaing small? Of limiting one's business to a specific geographical area?
4. In what ways might the increase in oil prices affect the food service industry?
5. What is the importance of negotiating with a "decision-maker?"
6. What is meant by the phrase "time is money?" How is it applie to Seiler's problems?
7. What effect would a long-term price contract have on Seiler's position?
8. Do you think the age of the consumer population has any bearing on sales in the food industry?
9. Why do you think people spend so much money in vending machines?
10. How might the current interest in nutrition effect Seiler's sales?
11. Do you think that the sale of "junk" foods should be eliminated from schools?

B. STUDENT ACTIVITIES

1. Compose a letter to a customer explaining why you need price relief.
2. Have groups of students role play a negotiating session.
3. Make a list of suggested solutions to Seiler's problem with pros and cons for each.
4. Find out how food services are managed in your school, in local businesses, hospitals, etc. What changes have taken place because of inflation?

YOU HAVE TO SPEND MONEY TO MAKE MONEY

An independent feasibility study, by an approved firm, is being made to ascertain the possibility of obtaining a franchise from the Sheraton Corporation for the construction of a Sheraton Inn at the junction of Routes 2 and I-90, located across from the Shearstown Mall, in Leominster, Massachusetts. The pospective franchisee must pay the expenses of the feasibility study, estimated from $5,000 to $12,000. The proposed inn will have the minimum number of rooms (100), a lounge, a restaurant, and a year-round enclosed outdoor heated pool with apron. The pool will be connected to the inn proper by a heated passageway. The proposed inn will be the only facility with a year-round pool in a 40-mile radius.

The Leominster area's industrial base includes plastics, woodworking, electronics, and computer firms. In Westminster an industrial park has been recently opened and in nearby Fitchburg there is the Wallace Civic Center, a state college unit, train service, and an airport. The area contains three medium-sized shopping malls and several well-known restaurants. The recreational opportunities include skiing, fishing, golfing, hiking, and numerous historical sites. In the fall, the area sees many many travelers observing the beautiful fall foliage.

There is a Holiday Inn located on Route 2 in Leominster equipped with a lounge and 75 rooms. Two smaller inns, the Quality Inn and the Town Crier, in Westminster have approximately 20 rooms each.

The cost of construction of the Sheraton Inn will be about $4.5 million. These costs breakdown as follows: $4 million for the inn, lounge, and restaurant; $450,000 for the heated enclosed pool; and $15,000 for the Sheraton franchise fee. Permits and licenses must be obtained by the franchisee before operations begin.

Should the Sheraton Corporation offer a franchise for the construction of a new Sheraton Inn in the Fitchburg/Leominster area?

This case was prepared by Donald Santos (Mahar Regional High School, Orange, Massachusetts) under the direction of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

TEACHER'S NOTE

TITLE: YOU HAVE TO SPEND MONEY TO MAKE MONEY

GRADE LEVEL: 11-12 READING LEVEL: 8

I. OVERVIEW

The students will be made aware of the various factors and costs involved in choosing a site and in the construction of a Sheraton Inn.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Students will list the various factors involved before construction begins.

2. Students will select what factors are positive and what factors are negative in the selection of a new site.

3. Students will try to see if its is possible to alter the above factors.

B. VALUE JUDGEMENTS

1. How will the other inn's room rentals be affected by the addition of another, larger, inn?

2. How will the quality of service offered by the Sheraton affect the other inns?

III. PREPARATION PRIOR TO DISTRIBUTION OF CASE

A. TEACHER PREPARATION

1. Obtain information from Sheraton franchise division.

2. Obtain information from other local hotels and inns.

B. STUDENT PREPARATION

1. Have students identify other local hotels and establish why they located in region.

2. Have students identify a local site that might be a good location for a hotel.

IV. CASE IMPLEMENTATION SUGGESTIONS

A. QUESTIONS FOR DISCUSSION

1. What are the various factors involved in choosing a site?

2. What is the most important factor in locating a hotel in a particular area?

3. *What are the various costs in the construction of a franchise hotel?*

4. *Why do you want to control the franchisee in the manner indicated by Sheraton?*

5. *What are the negative factors in establishing a proper location for a business?*

HELPING THE SUN SHINE IN

Hampton Beach, New Hampshire has, over the years, developed into a family resort area. But, the only first-class hotel on the beach, proper, recently burned down. Mr. Scott, an ambitious young entrepreneur, bought the property with the intention of turning the once staid old family hotel into a modern, top-of-the-line hotel for families, singles, and business travelers on a year-round basis. He also hopes to go after the weekend getaway business. To achieve this, he would like to become a Sheraton franchisee in keeping with that corporation's image of "excellence."

The nearest Sheraton hotel to the Hampton Beach property is the Sheraton Dunfey in Hampton Center. Mr. Dunfey holds several Sheraton franchises. This particular operation has a stipulation in its agreement prohibiting Sheraton Corporation from franchising another site within a five-mile radius of the Hampton Center hotel. Mr. Scott's property is 4.9 miles from the Sheraton Dunfey.

Sheraton Inns, Inc. has decided to approve Mr. Scott's site location for a fanchise subject to certain conditions: a minimum of 100 units, an indoor/outdoor heated pool with adequate apron, a function room with three conference rooms, a restaurant/lounge, and an exercise room. These conditions must appear in the hotel design. Mr. Scott has submitted his letter of application, together with a $15,000 franchising fee, a favorable feasibility study, and a letter of release from Mr. Dunfey, even though the site location is less than five miles from the Hampton Center hotel and in violation of the original Sheraton agreement.

The building was progressing ahead of schedule with eight of the ten floors completed, when Mr. Scott received an injunction that "enjoined further construction" on the grounds that any further construction would effectively block air and all sunlight to the newly-installed solar energy panels supplying all the heating/cooling needs of two adjacent hotels. A hearing date has been set.

This case was prepared by Patricia Stone (Timberlane Regional High School, Plaistown, New Hampshire) under the direction of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

Mr. Scott has asked Sheraton Inns, Inc. for advice on this new development. Sheraton responded by sending Mr. Glenn, Director of Development, to assess the situation. Mr. Glenn has come up with several possible solutions to the problem, along with some information concerning a 1959 precedent setting court decision.

In Miami, Florida, the Fontainbleau Hotel was sued by the Eden Roc Hotel for blocking sunlight from its beach front after 11 a.m. by the construction of a high rise addition. The court held against the Eden Roc Hotel, declaring that there are no legal property rights associated with the free flow of light and air from adjoining land. The Eden Roc's case was rejected.

TEACHER'S NOTE

TITLE: HELPING THE SUN SHINE IN

GRADE LEVEL: 12 READING LEVEL: 11+

I. OVERVIEW

This case deals with the fourth form of business ownership, the franchise, as well as the economic effects of solar energy resources and property rights.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Student will be able to identify the economic issue in the case and relate it to laws of property rights.

2. Student will recognize vocabulary words and list the characteristics of the franchise form of ownership with its advantages and disadvantages.

3. Student will be able to comprehend, classify. amd analyze the given information and synthesize it to a valid conclusion in the form of a court decision.

4. Student will write a report from a personal interview with a local franchise operator.

B. VALUE JUDGMENTS

1. To be able to take the factual information in the case and relate it to ethical standards and rightness/wrongness in business ventures--coming to a conclusion.

2. To be able to distinguish between the right of the individual versus the right of economic growth.

III. PREPARATION PRIOR TO DISTRIBUTION TO STUDENTS

A. TEACHER PREPARATION

1. Texts in area.

2. Visuals: one of several free loan films on solar energy, Modern Motion Picture Service

B. STUDENT PREPARATION

1. Prior to reading case student should do general reading on subject, plus readings covering materials distributed by companies in franchise area.

2. Before discussing case in class subjects discussed in general in class sessions.

3. *After discussing case in class, review student's feelings on different decisions made.*

IV. CASE IMPLEMENTATION SUGGESTIONS

A. QUESTIONS FOR DISCUSSION

1. *What motivated Mr. Dunfey to sign a release?*
2. *What action should Sheraton make?*
3. *What do you think Mr. Glenn reported to Sheraton?*
4. *How do you respond to the 1959 court decision?*
5. *Should an individual have unlimited use of his property?*
6. *To what degree is Sheraton involved?*
7. *Why might the court render a different decision for Mr. Scott and not that in the Eden Roc case?*
8. *If you were the judge in Mr. Scott's case, how would you rule?*

B. ACTIVITIES FOR STUDENTS

1. *Write an editorial on this case for the local newspaper.*
2. *Contact a Sheraton official to address class.*
3. *Arrange a class field trip to the nearest Sheraton site.*
4. *Interview local franchise operation and submit written report and/or make an oral report to class.*

FROM MINI-COMPUTER TO MAXI CORPORATION

Prime Computer, Inc., with home offices in Natick, Massachusetts, began its operations in the garage of a private home in 1971. It has since grown to include factories in the United States, Ireland, and Puerto Rico. Prime Computer has sales offices throughout Europe, South America, and Australia. Prime's net income was over 31 million dollars in 1980. In 1981 the company ranked 676 among the Fortune 1000.

Prime Computer began its growth by selling its mini-computer to companies which wanted rapid and accurate answers to problems involving mathematics and science. Prime offered computers which allowed these companies to do their work faster and better. All of the parts which went into their computers were not made by Prime, however. Prime bought most of the parts for terminals, printers, and storage centers from other companies.

Prime Computer grew rapidly between 1972 and 1979. Prime executives wanted to continue the firm's compound yearly 75 percent growth rate. Therefore, Prime took a major risk when it began selling a more general purpose computer. This machine could be used by a variety of businesses other than just those dealing with science and mathematics. This new product allowed banks, school systems, and manufacturing firms to use computers. Prime continued to buy the majority of its parts from other companies. Bewteen 1975 and 1978, Prime's sales jumped from $11.5 million to $93.6 million.

Prime Computer expanded during the period 1978 to 1980 by producing more services for its customers. Prime offered an entire solution package to fit the user's needs. Prime studied each user's requirements and offered to develop a computer for a total systems solution to the purchaser's needs. The system would control the kinds of work the computer could do for the user. The risk paid off. Prime's sales rose from $93.6 million in 1978 to $267.6 in 1980.

This case was prepared by Lynette Whaley (Acton-Boxborough, Massachusetts, Regional Junior High School), under the supervision of the 1981 FEI/NU/BHelp Summer Social Studies Workshop faculty, as a basis for classroom discussion rather than to illustrate either effective or ineffective handling of a particular situation.

Prime Computer's current goal is to reach $1 billion in sales by 1985. What kind of plan is the firm considering to reach this goal? One plan calls for the further expansion and diversification of its product line. Prime has become known as supplier to small and large businesses which have used Prime's equipment for general purposes. Prime would also like to sell entire networks of its computers and terminals to the largest concerns. Prime has developed their Office Automation Package (OAP) for this new market. The OAP means that each manager in a large company would have his or her own terminal which would allow that manager to make appointments, store information, and make daily work schedules. The OAP would also allow the manager to send and receive data from any of the firm's other locations. These plans, however, are not without risk.

TEACHER'S NOTE

TITLE: FROM MINI-COMPUTER TO MAXI CORPORATION

GRADE LEVEL: 8 READING LEVEL: 8

I. OVERVIEW

Students will analyze the historical development of Prime Computer. They will evaluate the risks and alternatives involved in major decisions the company has made. They will play the role of decision-makers in an actual situation which the firm is now facing.

II. CASE GOALS

A. COGNITIVE BEHAVIORAL OBJECTIVES

1. Students will recognize causes and effects of a company's expansion and diversification.
2. Students will propose a plan selling a product to a new market.
3. Students will analyze arguments for and against different alternatives with which the company may be faced.

III. TEACHER PREPARATION

A. Prime Computer's annual report

IV. STUDENT PREPARATION

A. Economics vocabulary build-up

V. CASE IMPLEMENTATION QUESTIONS

A. What specific stages of growth has Prime gone through so far?

B. Why did Prime risk going through each of these stages?

C. What advanatges/disadvantages were there in taking each of these major steps? Was Prime taking too large a risk at any time?

D. If Prime decides to produce and sell the OAP, what new kinds of problems will they face? How might they deal with them in order to sell the OAP?

VI. STUDENT ACTIVITIES

A. Tape a 30-second OAP Rime radio commercial

B. Draw a cartoon or caricature showing a Prime salesperson trying to sell the OAP network to a major corporation